



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
HANCOCK COUNTY  
SHERIFF'S SETTLEMENT - 1999 TAXES AND  
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES**

**May 1, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HANCOCK COUNTY SHERIFF'S SETTLEMENT - 1999 TAXES AND SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES**

**May 1, 2000**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 1999 Taxes and Sheriff's Settlement - 1999 Unmined Coal Taxes for the Hancock County Sheriff as of May 1, 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

The Sheriff collected taxes of \$3,395,658 and distributed taxes of \$3,326,888 to the districts for 1999 Taxes and 1999 Unmined Coal Taxes. The Sheriff is due a refund from the state in the amount of \$3,358.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Harold McCaslin, Hancock County Judge/Executive  
Honorable Dale Bozarth, Hancock County Sheriff  
Members of the Hancock County Fiscal Court

Independent Auditor's Report

We have audited the Hancock County Sheriff's Settlement - 1999 Taxes as of May 1, 2000 and the Sheriff's Settlement - 1999 Unmined Coal Taxes as of May 1, 2000. These tax settlements are the responsibility of the Hancock County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Hancock County Sheriff's taxes charged, credited, and paid as of May 1, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Harold McCaslin, Hancock County Judge/Executive  
Honorable Dale Bozarth, Hancock County Sheriff  
Members of the Hancock County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2000, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 15, 2001



HANCOCK COUNTY  
DALE BOZARTH, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES

May 1, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 131,569	\$ 163,192	\$ 1,459,333	\$ 357,768
Tangible Personal Property	50,625	65,279		865,391
Intangible Personal Property				211,701
Fire Protection	2,553			
Franchise Corporation	25,649	32,755	202,487	
Additional Billings	273	351	2,155	2,615
Clay Property	29	36	227	75
Oil Property	41	51	326	107
LSG Property	3	3	20	6
Increased Through Erroneous Assessments	24	30	193	63
Penalties	940	1,147	7,299	3,920
Adjusted to Sheriff's Receipt	2,658	3,442		(521)
Gross Chargeable to Sheriff	<u>\$ 214,364</u>	<u>\$ 266,286</u>	<u>\$ 1,672,040</u>	<u>\$ 1,441,125</u>
<u>Credits</u>				
Discounts	\$ 3,184	\$ 3,952	\$ 24,823	\$ 26,791
Exonerations	336	438	2,759	1,254
Delinquents:				
Real Estate	2,012	2,496	15,885	5,225
Tangible Personal Property	5	6	38	33
Uncollected Franchise	569	735	4,496	
Delinquent Oil	11	13	86	28
Total Credits	<u>\$ 6,117</u>	<u>\$ 7,640</u>	<u>\$ 48,087</u>	<u>\$ 33,331</u>
Net Tax Yield	\$ 208,247	\$ 258,646	\$ 1,623,953	\$ 1,407,794
Less: Commissions *	<u>9,138</u>	<u>10,992</u>	<u>24,359</u>	<u>60,119</u>
Net Taxes Due	\$ 199,109	\$ 247,654	\$ 1,599,594	\$ 1,347,675
Taxes Paid	193,083	243,732	1,552,017	1,336,430
Refunds (Current and Prior Year)	<u>6,026</u>	<u>3,922</u>	<u>47,577</u>	<u>14,603</u>
Refund Due Sheriff as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,358)</u>

\* See Page 4

HANCOCK COUNTY  
DALE BOZARTH, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES  
May 1, 2000  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,864,687
1.5% on	\$	1,623,953

The accompanying notes are an integral part of the financial statements.

HANCOCK COUNTY  
DALE BOZARTH, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES

May 1, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for				
Unmined Coal	\$      131	\$      163	\$     1,035	\$      340
Less: Commissions *	<u>        6</u>	<u>        7</u>	<u>       16</u>	<u>       14</u>
Net Taxes Due	\$      125	\$      156	\$     1,019	\$      326
Taxes Paid	<u>      125</u>	<u>      156</u>	<u>     1,019</u>	<u>      326</u>
Due Districts				
as of Completion of Fieldwork	<u>        0</u>	<u>        0</u>	<u>        0</u>	<u>        0</u>
Commissions:				
4.25% on \$      634				
1.5% on \$     1,035				

The accompanying notes are an integral part of the financial statements.

HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

May 1, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits:

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 19, 1999, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
May 1, 2000  
(Continued)

Note 4. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was June 1999 through May 1, 2000.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 1, 2000 through May 1, 2000.

Note 5. Interest Income

The Hancock County Sheriff earned \$5,952 as interest income on 1999 taxes. The Sheriff distributed \$3,363 to the school district, resulting in an overpayment to the school district in the amount of \$641. The remaining interest will be used to operate the Sheriff's office.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Hancock County Sheriff's Settlement - 1999 Taxes as of May 1, 2000 and the Sheriff's Settlement - 1999 Unmined Coal Taxes as of May 1, 2000, and have issued our report thereon dated March 15, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hancock County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be  
and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 15, 2001

